**IMF Urges Turkey to Continue Tightening Monetary Policy**

The International Monetary Fund (IMF) has warned Turkey about the risks of adopting a gradual approach in combating inflation, urging the country to continue tightening its monetary policy and rely on data until inflation nears the target rate.  
This came in a statement from the IMF following a routine visit to member countries known as Article IV consultations.

The IMF stated that Turkey needs to accelerate its efforts in fighting inflation and take “bigger and more focused” steps to reduce its budget deficit. It recommended coordinated fiscal, monetary, and domestic policies to address inflation. Additionally, the IMF suggested that linking wages to inflation expectations, rather than past inflation, could significantly help in curbing prices.

According to Bloomberg, the planned increase in the minimum wage for 2025 is drawing significant attention from global banks such as Deutsche Bank, which expects the increase to range between 25% and 30%.  
Since President Recep Tayyip Erdoğan’s re-election in May 2023, Turkey has undergone an economic shift, with the central bank raising the interest rate to 50% from 8.5% in an attempt to curb inflation. Despite this tightening, recent data showed that inflation slowed less than expected in September, falling to 49.4%, as prices continued to rise with increasing service costs.

The IMF noted that the policy shift has reduced economic imbalances and restored confidence, adding that improved market sentiment has resulted in both foreign and domestic investors turning to lira-denominated assets.

In its statement, the IMF emphasized the need to continue following strict, data-driven monetary policies until inflation reaches targeted levels. It also recommended enhancing the monetary policy transmission mechanism, ensuring central bank independence, and improving communication to boost policy credibility, according to Bloomberg.

The statement also highlighted the need for the “gradual phasing out of measures related to capital flows” as foreign currency liquidity risks diminish and inflation declines. Furthermore, the IMF urged Turkey to “focus macroprudential policies on containing systemic risks.”